



# STANDARD AGREEMENT FORM FOR PROFESSIONAL SERVICES

1. Agency Contract Number <b>0611-134</b>	2. ASPS Number <b>0611-134</b>	3. Financial Coding <b>CC LC AC</b>	4. Agency Assigned Encumbrance Number
5. Vendor Number <b>MIL08176</b>	6. Project/Case Number <b>Alaska Health Care Pricing Analysis</b>	7. Alaska Business License Number <b>927540</b>	
This contract is between the State of Alaska,			
8. Department of <b>Health and Social Services</b>		Division <b>DPH/Alaska Health Care Commission</b>	
9. Contractor <b>Millman, Inc</b>		Hereafter the State, and Hereafter the Contractor.	
Mailing Address <b>1301 Fifth Ave. Suite 3600</b>	Street or P.O. Box	City <b>Seattle</b>	State <b>Washington</b>
			ZIP+4 <b>98101</b>
10. ARTICLE 1. <i>Appointments: Appointments referred to in this contract and attached to it are considered part of it.</i>			
ARTICLE 2. <i>Performance of Services:</i>			
2.1 Appendix A (General Provisions), Articles 1 through 19, governs the performance of services under this contract.			
2.2 Appendix B sets forth the indemnification, liability and insurance provisions of this contract.			
2.3 Appendix C sets forth the services to be performed by the Contractor.			
2.4 Appendix D sets forth provision for payment.			
ARTICLE 3. <i>Period of Performance:</i> The period of performance for this contract begins <u>June 15, 2011</u> , and ends on <u>June 30, 2012</u>			
ARTICLE 4. <i>Consideration:</i>			
4.1 In full consideration of the Contractor's performance under this contract, the State shall pay the Contractor a sum not to exceed <u>\$100,000.00</u> in accordance with the provisions of Appendix D.			
4.2 When billing the State, the Contractor shall refer to the Agency Contract Number and send the billing to:			
11. Department of Health and Social Services		Attention: Contracts Support Team	
Mailing Address P.O. Box 110650, Juneau, Alaska 99811-0650		Attention: Contracts Section	
12. CONTRACTOR		14. CERTIFICATION	
Name of Firm <b>Millman, Inc</b>		I certify that the facts herein and on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation, or that there is a sufficient balance in the appropriation cited to cover this obligation. I am aware that to knowingly make or allow false entries or alterations on a public record, or knowingly destroy, mutilate, suppress, conceal, remove or otherwise impair the verity, legibility or availability of a public record constitutes tampering with public records punishable under AS 11.56.615-.820. Other disciplinary action may be taken up to and including dismissal.	
Signature of Authorized Representative 		Date <b>6/15/11</b>	
Typed or Printed Name of Authorized Representative <b>Edward Zhu</b>			
Title <b>President</b>			
13. CONTRACTING AGENCY		Signature of Head of Contracting Agency or Designee 	
Department/Division <b>Health &amp; Social Services / Commissioner's Office</b>		Date <b>6/16/11</b>	
Signature of Project Director 		Typed or Printed Name <b>Kimbelle Poppe-Smart</b>	
Date <b>6/14/11</b>			
Typed or Printed Name of Project Director <b>Deborah Erickson</b>		Title <b>Deputy Commissioner</b>	
Title <b>Project Director</b>			

NOTICE: This contract has no effect until signed by the head of contracting agency or designee.

# STANDARD AGREEMENT FORM FOR PROFESSIONAL SERVICES

1. Agency Contract Number 0611-134	2. ASPS Number 0611-134	3. Financial Coding CC LC AC	4. Agency Assigned Encumbrance Number
5. Vendor Number MIL08176	6. Project/Case Number Alaska Health Care Pricing Analysis		7. Alaska Business License Number 927540

This contract is between the State of Alaska,

8. Department of Health and Social Services	Division DPH/Alaska Health Care Commission	hereafter the State, and
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9. Contractor Milliman, Inc	hereafter the Contractor
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Mailing Address	Street or P.O. Box	City	State	ZIP+4
1301 Fifth Ave, Suite 3800		Seattle	Washington	98101

10. **ARTICLE 1. Appendices:** Appendices referred to in this contract and attached to it are considered part of it.

**ARTICLE 2. Performance of Service:**

- 2.1 Appendix A (General Provisions), Articles 1 through 19, governs the performance of services under this contract.
- 2.2 Appendix B2 sets forth the indemnification, liability and insurance provisions of this contract.
- 2.3 Appendix C sets forth the services to be performed by the Contractor.
- 2.4 Appendix D sets forth provision for payment.

**ARTICLE 3. Period of Performance:** The period of performance for this contract begins June 15, 2011, and ends on June 30, 2012

**ARTICLE 4. Considerations:**

- 4.1 In full consideration of the Contractor's performance under this contract, the State shall pay the Contractor a sum not to exceed \$100,000.00 in accordance with the provisions of Appendix D.
- 4.2 When billing the State, the Contractor shall refer to the Agency Contract Number and send the billing to:

11. Department of Health and Social Services	Attention: Contracts Support Team
Mailing Address P.O. Box 110650, Juneau, Alaska 99811-0650	Attention: Contracts Section

<b>12. CONTRACTOR</b> Name of Firm Milliman, Inc Signature of Authorized Representative _____ Date _____ Typed or Printed Name of Authorized Representative Edward Jhu Title President	<b>14. CERTIFICATION</b> I certify that the facts herein and on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation, or that there is a sufficient balance in the appropriation cited to cover this obligation. I am aware that to knowingly make or allow false entries or alterations on a public record, or knowingly destroy, mutilate, suppress, conceal, remove or otherwise impair the verity, legibility or availability of a public record constitutes tampering with public records punishable under AS 11.56.815-.820. Other disciplinary action may be taken up to and including dismissal.
<b>13. CONTRACTING AGENCY</b> Department/Division Health & Social Services / Commissioner's Office Signature of Project Director _____ Date _____ Typed or Printed Name of Project Director Deborah Erickson Title Project Director	Signature of Head of Contracting Agency or Designee _____ Date _____ Typed or Printed Name Alison Elgee Title Assistant Commissioner

**NOTICE:** This contract has no effect until signed by the head of contracting agency or designee.



## **APPENDIX A GENERAL PROVISIONS**

### **Article 1. Definitions.**

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the department for which this contract is to be performed and for which the Commissioner or Authorized Designee acted in signing this contract.

### **Article 2. Inspection and Reports.**

- 2.1 The department may inspect, in the manner and at reasonable times it considers appropriate, all the Contractor's facilities and activities under this contract.
- 2.2 The Contractor shall perform the services ("Services") and provide the deliverables ("Deliverables") described in the RFP and Contractor's Proposal.

### **Article 3. Disputes.**

- 3.1 In the event of any dispute concerning a question of fact or other dispute arising out of or relating to the engagement of Contractor by the State that is not disposed of by mutual agreement will be resolved under the Alaska "Revised Uniform Arbitration Act," AS 09.43.300 – 09.43.595, as modified hereunder.

The arbitration shall take place before a panel of three arbitrators. Within 30 days of the commencement of the arbitration, each party shall designate in writing a single neutral and independent arbitrator. The two arbitrators designated by the parties shall then select a third arbitrator. The arbitrators shall have a background in either insurance, actuarial science or law. The arbitrators shall have the authority to permit limited discovery, including depositions, prior to the arbitration hearing, and such discovery shall be conducted consistent with the Alaska Rules of Civil Procedure. The arbitrators shall have no power or authority to award punitive or exemplary damages. The arbitrators may, in their discretion, award the cost of the arbitration, including reasonable attorney fees, to the prevailing party. Any award made may be confirmed in any court having jurisdiction. Subject to applicable law, any arbitration shall be confidential, and except as required by law, neither party may disclose the content or results of any arbitration hereunder without the prior written consent of the other parties, except that disclosure is permitted to a party's auditors and legal advisors.

### **Article 4. Equal Employment Opportunity.**

- 4.1 The Contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, disability, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, disability, sex, marital status, changes in marital status, pregnancy, or parenthood. The Contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, disability, age, sex, marital status, changes in marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The Contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 The Contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, disability, sex, marital status, changes in marital status, pregnancy or parenthood.



- 4.3 The Contractor shall send to each labor union or representative of workers with which the Contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the Contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 The Contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.
- 4.5 The Contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the Contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the Contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of the contract.

**Article 5. Termination.**

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

**Article 6. No Assignment or Delegation.**

The Contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

**Article 7. No Additional Work or Material.**

No claim for additional services, not specifically provided in this contract, performed or furnished by the Contractor, will be allowed, nor may the Contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

**Article 8. Independent Contractor.**

The Contractor and any agents and employees of the Contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

**Article 9. Payment of Taxes.**

As a condition of performance of this contract, the Contractor shall pay all federal, State, and local taxes incurred by the Contractor and shall require their payment by any subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

**Article 10. Ownership of Deliverables.**

- A. Subject to Section 10.B below and Article 12 (Third Party Distribution), all Deliverables developed by the Contractor as described in the RFP are produced for hire and upon full compensation become the sole property of the State of Alaska ("State Materials") and may be used by the State as described in the RFP and as permitted herein without additional compensation to the Contractor. The Contractor agrees not to assert any rights and not to



establish any claim under the design patent or copyright laws with respect to the State Materials.

The Contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all Deliverables at the request of the Project Director. The Contractor may retain copies of all the materials as necessary to comply with professional and archival documentation requirements.

- B. Contractor shall retain all rights, title and interest (including, without limitation, all copyrights, patents, service marks, trademarks, trade secret and other intellectual property rights) in and to all technical or internal designs, methods, ideas, concepts, know-how, techniques, generic documents and templates that have been previously developed by Contractor or developed during the course of the provision of the Services provided such generic documents or templates do not contain any State-owned confidential information or proprietary data, as described in Section 21 ("Contractor Tools"). Rights and ownership by Contractor of Contractor Tools shall not extend to or include all or any part of State's proprietary data or confidential information. To the extent that Contractor may include in the Deliverables any Contractor Tools, Contractor agrees that State shall be deemed to have a fully paid up license to make copies of the Contractor owned materials as part of this engagement for its internal business purposes and provided that such materials cannot be modified or distributed outside the State without the written permission of Contractor or except as otherwise permitted hereunder.

**Article 11. Limitation of Liability.** Contractor will perform all services in accordance with applicable professional standards. The parties agree that Contractor, its officers, directors, agents and employees, shall not be liable to the State, under any theory of law including negligence, tort, breach of contract or otherwise, for any damages in excess of one million dollars (\$1,000,000.00). In no event shall Contractor be liable for lost profits of State or any other type of incidental or consequential damages. The foregoing limitations shall not apply in the event of (i) the intentional fraud or willful misconduct of Contractor, (ii) any personal injury, death or property damage claims to the extent arising from Contractor's performance of services, or (iii) any employer-related obligations of Milliman to its employees.

The parties recognize and agree that it is the intent of the parties, as sophisticated parties represented by counsel, that the Limitation of Liability section in this Agreement should be enforced in its entirety.

**Article 12. Third Party Distribution.** Contractor's work is prepared solely for the use and benefit of the State in accordance with its statutory and regulatory requirements. Contractor recognizes that materials it delivers to the State may be public records subject to disclosure to third parties, however, Contractor does not intend to benefit and assumes no duty or liability to any third parties who receive Contractor's work and may include disclaimer language on its work product so stating. The State agrees not to remove any such disclaimer language from Contractor's work. To the extent that Contractor's work is not subject to disclosure under applicable public records laws, the State agrees that it shall not disclose Contractor's work product to third parties without Contractor's prior written consent; provided, however, that the State may distribute Contractor's work to (i) its professional service providers who are subject to a duty of confidentiality and who agree to not use Contractor's work product for any purpose other than to provide services to the State, or (ii) any applicable regulatory or governmental agency, as required.

**Article 13. Governing Law.**

This contract is governed by the laws of the State of Alaska.

**Article 14. Conflicting Provisions.**

Unless specifically amended and approved by the Department of Law the General Provisions of this contract supersede any provisions in other appendices.

**Article 15. Officials Not to Benefit.**

The Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

**Article 16. Covenant Against Contingent Fees.**

The Contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage



or contingent fee except employees or agencies maintained by the Contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage or contingent fee.

#### **Article 17. Civil Rights of Clients**

1. The Contractor shall comply with Title VI and VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, Section 594 of the Rehabilitation Act of 1973, the Food Stamp Act of 1977, Alaska Statute 18.80.200-280, and pertinent portions of the Code of Federal Regulation (CFR) for implementation of the foregoing.
2. The Contractor shall make no distinction or discriminate against the client, recipient, applicant or beneficiary of the Department's federally assisted programs on the basis of race, color, age, national origin, sex, political belief, religious creed, or handicap. No client, recipient, applicant or beneficiary of these federally assisted programs shall be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which the Department has responsibility.
3. Distinction on the grounds of race, color, age, national origin, sex, political belief, religious creed, or handicap includes:
  - a. Any type of segregation, separate or different treatment, or other discrimination on that ground;
  - b. The imposition of any admission, enrollment, quota eligibility, or other requirement or condition which individuals must meet in order to be provided any service or other benefit under the program or to be afforded an opportunity to participate in the program if the race, color, age, national origin, sex, political belief, religious creed, or handicap of individuals is considered in determining whether they meet any such requirement or condition;
  - c. The use of membership in a group as a basis for the selection of individuals for any purpose if in selecting members of the group there is discrimination on the grounds of race, color, age, national origin, sex, political belief, religious creed, or handicap;
  - d. The assignment of personnel to provide services, or the assignment of times or places for the provision of services, on the basis of race, color, age, national origin, sex, political belief, religious creed, or handicap of the individual to be served.
4. In determination of whether a Contractor is illegally discriminating in the provision of benefits or services, consideration shall be given to the purpose of the service as expressly stated in any federal statute, state statute, or local statute or ordinance adopted by an elected general purpose legislative body. In making such determination it shall be acknowledged that certain federal, state or local funding is legally designated for specific groups by age, sex, handicap, income, or other specific and legal eligibility criteria. For example, programs for the aging, blind, disabled and youth provide services legally only for those groups. Also, institutions may legally serve a special age, sex, or handicap group depending upon their protective treatment, or rehabilitative needs and funding sources to provide the services.

#### **Article 18. Written Notice of Change in Contract Amount**

Subject to the availability of spending authority to the Department of Health and Social Services to fund this contract, and provided such spending authority is not revoked, rescinded, reduced, or withheld, 100,000.00 will be the total amount of this contract. The Department will promptly provide the Contractor written notice if funding under this contract is revoked, rescinded, reduced or withheld and the effective date of such action.

#### **Article 19. HIPAA Business Associate Agreement Requirements**

1. The Contractor shall comply with the business associate requirements set forth in CFR 45 Parts 160-164 (the Health Insurance Portability and Accountability Act ("HIPAA") regulations) if the Contractor will be using or will have access to the protected health information (as defined in CFR 45 §164.501) of the Department of Health and Social Services, as part of the services performed by the Contractor.
2. The Contractor shall be required to agree to terms of, and sign the Health Insurance Portability and Accountability Act ("HIPAA") Business Associate Agreement as a condition of this contract if the Contractor will be using or will have access to the protected health information of the Department of Health and Social Services, as part of the services performed by the Contractor.



**Article 20. Contract Term Extension**

Unless otherwise provided for in this contract, the State and Contractor agree: (1) that any holding over of the contract excluding any exercised renewal options, will be considered as a month-to-month extension, and all other terms and conditions shall remain in full force and effect and (2) to provide written notice to the other party of the intent to cancel such month-to-month extension at least thirty (30) days before the desired date of cancellation.

**Article 21. Nondisclosure and Confidentiality**

Contractor agrees that all confidential information shall be used only for purposes of providing the deliverables and performing the services specified herein and shall not disseminate or allow dissemination of confidential information except as provided for in this section. The contractor shall hold as confidential and will use reasonable care (including both facility physical security and electronic security) to prevent unauthorized access by, storage, disclosure, publication, dissemination to and/or use by third parties of, the confidential information. "Reasonable care" means compliance by the contractor with all applicable federal and state law, including the Social Security Act and HIPAA. The contractor must promptly notify the state in writing if it becomes aware of any storage, disclosure, loss, unauthorized access to or use of the confidential information.

Confidential information, as used herein, means any data, files, software, information or materials (whether prepared by the state or its agents or advisors) in oral, electronic, tangible or intangible form and however stored, compiled or memorialized that is classified confidential as defined by State of Alaska classification and categorization guidelines (i) provided by the state to the contractor or a contractor agent or otherwise made available to the contractor or a contractor agent in connection with this contract, or (ii) acquired, obtained or learned by the contractor or a contractor agent in the performance of this contract. Examples of confidential information include, but are not limited to: technology infrastructure, architecture, financial data, trade secrets, equipment specifications, user lists, passwords, research data, and technology data (infrastructure, architecture, operating systems, security tools, IP addresses, etc).

If confidential information is requested to be disclosed by the contractor pursuant to a request received by a third party and such disclosure of the confidential information is required under applicable state or federal law, regulation, governmental or regulatory authority, the contractor may disclose the confidential information after providing the state with written notice of the requested disclosure (to the extent such notice to the state is permitted by applicable law) and giving the state opportunity to review the request. If the contractor receives no objection from the state, it may release the confidential information within 30 days. Notice of the requested disclosure of confidential information by the contractor must be provided to the state within a reasonable time after the contractor's receipt of notice of the requested disclosure and, upon request of the state, shall seek to obtain legal protection from the release of the confidential information.

The following information shall not be considered confidential information: information previously known to be public information when received from the other party; information freely available to the general public; information which now is or hereafter becomes publicly known by other than a breach of confidentiality hereof; information that was independently developed by Contractor without resort to information from the State; or information which is disclosed by a party pursuant to subpoena or other legal process and which as a result becomes lawfully obtainable by the general public.

## **APPENDIX B2 INDEMNITY AND INSURANCE**

### **Article 1. Indemnification**

Subject to Article 11 of the Agreement, the Contractor shall indemnify, hold harmless, and defend the contracting agency from and against any third party claim of, or liability for error, omission or negligent act of the Contractor under this agreement. The Contractor shall not be required to indemnify the contracting agency for a third party claim of, or liability for, the independent negligence of the contracting agency. If there is a third party claim of, or liability for, the joint negligent error or omission of the Contractor and the independent negligence of the Contracting agency, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. "Contractor" and "Contracting agency", as used within this and the following article, include the employees, agents and other contractors who are directly responsible, respectively, to each. The term "independent negligence" is negligence other than in the Contracting agency's selection, administration, monitoring, or controlling of the Contractor and in approving or accepting the Contractor's work.

### **Article 2. Insurance**

Without limiting Contractor's indemnification, it is agreed that Contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. Certificates of Insurance must be furnished to the Contracting Officer prior to beginning work and must provide for a notice of cancellation, nonrenewal or material change of conditions in accordance with policy provisions; or provide a letter of Self-Insurance with Retentions that meet the stated minimums below for each policy type. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this contract and shall be grounds for termination of the Contractor's services. All insurance policies shall comply with, and be issued by insurers licensed to transact the business of insurance under AS 21 as admitted or surplus lines carriers.

**2.1 Workers' Compensation Insurance:** The Contractor shall provide and maintain, for all employees engaged in work under this contract, coverage as required by AS 23.30.045, and; where applicable, any other statutory obligations including but not limited to Federal U.S.L. & H. and Jones Act requirements. The policy must waive subrogation against the State.

**2.2 Commercial General Liability Insurance:** covering all business premises and operations used by the Contractor in the performance of services under this agreement with minimum coverage limits of \$300,000 combined single limit per occurrence.

**2.3 Commercial Automobile Liability Insurance:** covering all vehicles used by the Contractor in the performance of services under this agreement with minimum coverage limits of \$300,000 combined single limit per occurrence.

**2.4 Professional Liability Insurance:** covering all errors, omissions or negligent acts in the performance of professional services under this agreement. Limits required per the following schedule shall now be set with limits per the following amounts per direction of the Division of Risk Management of the State of Alaska.

<b>Contract Amount:</b>	<b>\$100,000.00</b>
<b>Minimum Required Professional Liability:</b>	<b>\$300,000.00</b>



## APPENDIX C DESCRIPTION OF SERVICES

*Should there be a conflict among documents. The following order of precedence shall govern the resolution of conflicts:*

First, this contract document,  
Second, the RFP,  
Third, the proposal referenced below.

### Scope of Work:

The Scope of Work for this contract is the Scope of Work delineated in Section Five of Request for Proposals Number 2011-0600-0259 and based on the methodology described by the Contractor in their proposal (pages 5 – 7 of the Milliman written proposal dated April 18, 2011 submitted in response to Request for Proposal Number 2011-0600-0259). In addition, the Contractor will consider durable medical equipment, laboratory, and radiology costs in the analysis of costs and drivers of cost differences, based on analysis of data available in the MarketScan database.

The Schedule of Deliverables is modified as noted below.

### Schedule of Deliverables

The consultant shall provide the deliverables described below within the specified performance period.

<u>Deliverable</u>	<u>Delivery Date</u>
1. Post-Award Project Implementation Meeting	Week of June 13, 2011
2. Final Workplan	Within 3 weeks of contract award
3. Brief Progress Reports via teleconference	Monthly
4. Presentations to Health Care Commission	
a. Three presentations will be telephonic	
i. June 23, 2011 – to provide an overview of the project and answer questions	
ii. August 25 or 26, 2011 – to present findings to-date and project status	
iii. December 9, 2011 – to answer questions about the final report	
b. One will require travel to Anchorage, Alaska for October 11 or 12, 2011 to make a presentation on the current draft of the full project report.	
5. Draft Analysis Report	
a. Non-Facility Provider Analysis Draft	September 1, 2011
b. Facility-based Provider Analysis Draft	September 1, 2011
c. Health Care Cost Driver Analysis Draft	October 15, 2011
d. Medicare Cost Analysis Draft	October 15, 2011
6. Final Analysis Report	
a. Non-Facility Provider Analysis Report	October 31, 2011
b. Facility-based provider Analysis Report	October 31, 2011
c. Health Care Cost Driver Analysis Report	November 15, 2011
d. Medicare Cost Analysis Report	November 15, 2011

**APPENDIX D  
PAYMENT FOR SERVICES**

Payment for services provided under this contract shall not exceed \$100,000.00 for the period of performance of this contract June 15, 2011 through June 30, 2012.

**DELIVERABLES:**

The consultant shall provide the deliverables described below within the specified performance period.

ITEM NO.	DESCRIPTION OF SERVICES	QTY	UNIT	TOTAL
0001	<p>Conduct analysis comparing third party and private-pay prices and reimbursement for health care services (non-facility providers) within the state of Alaska to prices and reimbursement for the same services in Washington State, Oregon, Idaho, Wyoming, and North Dakota. Include fees against public coverage such as Medicaid, Medicare, Workers Compensation, TRICARE, and VA.</p> <ul style="list-style-type: none"> <li>• Monthly Progress Report</li> <li>• Draft report on analysis due 09/01/11.</li> <li>• Final report due 10/31/11.</li> </ul> <p><b>Fixed Price</b></p>	1	Lot	\$30,000.00
0002	<p>Conduct analysis comparing third party and private-pay prices and reimbursement for health care services (facility providers – inpatient and outpatient) within the state of Alaska to prices and reimbursement for the same services in Washington State, Oregon, Idaho, Wyoming, and North Dakota. Include fees against public coverage such as Medicaid, Medicare, Workers Compensation, TRICARE, and VA.</p> <ul style="list-style-type: none"> <li>• Monthly Progress Report</li> <li>• Draft report on analysis due 09/01/11.</li> <li>• Final report due 10/31/11.</li> </ul> <p><b>Fixed Price</b></p>	1	Lot	\$25,000.00
0003	<p>Conduct analysis of the major drivers in health care price differences between Alaska and Washington State, Oregon, Idaho, Wyoming and North Dakota.</p> <ul style="list-style-type: none"> <li>• Monthly Progress Report</li> <li>• Draft report on analysis due 10/15/11.</li> <li>• Final report due 11/15/11.</li> </ul> <p><b>Fixed Price</b></p>	1	Lot	\$45,000.00
0004	<p>Conduct analysis of variations in the cost of providing primary care (including compensation, materials and overhead) to Medicare recipients in Alaska compared to Washington State, Oregon, Idaho, Wyoming and North Dakota.</p> <ul style="list-style-type: none"> <li>• Monthly Progress Report</li> <li>• Draft report on analysis due 10/15/11.</li> <li>• Final report due 11/15/11.</li> </ul> <p><b>Fixed Price</b></p>	1	Lot	Included in Deliverable 0003
			<b>Total</b>	<b>\$100,000.00</b>



The Contractor will submit detailed invoice(s) for services performed in accordance with Appendix C. The State will pay all invoices within thirty (30) days of invoice approval by the Project Director.

Each invoice must:

- reference the Contractor's name, address and phone number
- reference the contract number.
- include an invoice number
- reference the H&SS Division for which the services are being provided
- itemize the contractual services provided referenced by Deliverable Number
- include the Contractor's signed certification that the amount invoiced is for the services described in Appendix C of this contract during the period invoiced.

The Contractor shall submit invoices to the address specified below no later than 30 days after the end of each month for which services were performed. Failure to include the required information on the invoice may cause an unavoidable delay to the payment process.

Department of Health and Social Services  
Finance and Management Services  
ATTN: Shavonne Jordan  
Grants and Contract Section  
P.O. Box 110650  
Juneau, Alaska 99811-0650

Notwithstanding any other provision of this contract, it is understood and agreed that the State shall withhold payment at any time the Contractor fails to perform work as required under Appendix C and/or D of this contract.







STATE OF ALASKA  
Department of Health and Social Services  
Division of Public Health: Commissioners Office / Alaska Health Care Commission  
350 Main St. Room 6  
AOB Basement  
Juneau, Alaska 99801-1149  
-or-  
PO Box 110650  
Juneau, Alaska 99811-0650

**Request For Proposals**  
**RFP 2011-0600-0259**  
Date of Issue: March 25, 2011

**Title and Purpose of RFP:**  
**Alaska Health Care Pricing Analysis**

The purpose of this contract is to compare health care provider third party and private-pay charges and reimbursement in Alaska to charges and reimbursement for the same services in Washington, Oregon, Idaho, North Dakota and Wyoming, and to also benchmark those charges against public coverage such as Medicare, Medicaid, Workers Compensation, TriCare, and the Veteran's Administration. The contractor will provide services as the health care actuarial consulting firm, comparing the charges billed for the top 25 most commonly used billing codes for facility and non-facility providers and determining the major factors driving the difference in reimbursements.

**Offerors Are Not Required To Return This Form.**

**Important Notice:** If you received this solicitation from the State of Alaska's "Online Public Notice" web site, you must register with the procurement officer listed in this document to receive subsequent amendments. Failure to contact the procurement officer may result in the rejection of your offer.

**Shavonne Jordan**  
**Procurement Officer**  
**Department of Health and Social Services**  
**shavonne.jordan@alaska.gov**

## SECTION FOUR BACKGROUND INFORMATION

### 4.01 Background Information

Alaska experiences many health care delivery challenges, including the logistical difficulties and costs involved in providing care for a relatively small number of people spread over vast geographic distances, a delivery system that is highly fragmented, and an inadequate supply and distribution of health care workers.

Alaska's health care "system" is not a system, but an assortment of private, non-profit and for-profit, large and small health care businesses; health care facilities to serve military personnel, retirees, and their dependents; and hospitals and clinics owned and operated by tribal organizations. Health care providers within the same sector (military/VA, tribal health system, or private sector) do not have interoperable electronic information systems, care coordination systems, or business management processes. In addition to fragmentation in the delivery of services, there are a variety of payers financing health care services, including Medicare, Medicaid, private insurers, self-insured employers, the military and VA, the Indian Health Service, and individual Alaskans.

Total health care spending in Alaska increased over the past two decades from slightly below \$1.6 billion in 1991 to nearly \$5.6 billion in 2005, and is estimated to be over \$7 billion today. Between 1990 and 2005 the average annual growth rate in health spending was 8.9%, of which 1.2% was attributable to population growth and 2.4% to general inflation. The reasons behind the remaining 5.3% average annual growth rate are not well understood. The Consumer Price Index (CPI) for Anchorage, Alaska's largest city, increased a total of 38% for all items between 1991 – 2005, while the CPI for medical care in Anchorage increased 98% during that same period.

Estimates of the uninsured population in Alaska range from 14% - 18%. The price of health insurance premiums for working families in Alaska grew by 90.8% between 2000 and 2009. In comparison, the median earning of Alaska's workers rose 17% during the same period. The average annual insurance premium for family health coverage in Alaska rose from \$7,456 in 2000 to \$14,226 in 2009. The average annual premium for individual health coverage rose from \$2,923 to \$5,626 during the same period. The percentage of income spent on health care in Alaska (based on per capita averages) increased steadily from 11% in 1991 to 19% in 2004.

Total government spending for Alaska's Medicaid program nearly tripled over the past decade, from \$471 million in 2000 to \$1.2 billion in 2010, while the number of beneficiaries increased by one-third (from 96,033 to 126,127). The average aggregate per capita program spending doubled from \$4,902 to \$9,754 during this time period. There are no published reports providing a detailed analysis of the extent to which this increased spending per beneficiary is due to increased utilization, and how much is due to increased payment rates.

Medicare pays a geographic differential to Alaska's physicians of 29% above the national average. Yet even with reimbursement nearly a third higher than most other states, Alaskan physicians have been dropping out of Medicare at least partly due to insufficient payment. A 2008 study found that only 17% of Anchorage primary care physicians were accepting new Medicare patients compared to 61% nationally. Anecdotal evidence since that time indicates that more and more primary care physicians in Anchorage are dropping out of Medicare all together.

The Alaska Health Care Commission was established in state law during 2010 to address the availability, accessibility and quality of health care in Alaska. The Commission has identified the high and rising cost of health care in Alaska as a significant barrier to access to care. There is evidence that pricing and reimbursement for health care services in Alaska is higher than in other states by a margin greater than what might be explained by cost of living differences:



- One sign that pricing for health care in Alaska is higher than in other states is the difference in reimbursement rates between Alaska and Washington State's Medicaid programs. Many of the professional fees paid by Alaska's Medicaid program are nearly three-times higher than those paid in Washington. For example, in 2009 Alaska's Medicaid program paid \$221.58 for a high level outpatient office visit (99215) compared to Washington's fee of \$76.00. Arthroscopic knee surgery was reimbursed by Alaska at \$976.77 compared to Washington's fee of \$358.08.
- Another indicator that Alaska's health care prices are generally higher is a comparison of spending for inpatient hospital services. In 2008 the average hospital adjusted expenses per inpatient day was \$2,231 in Alaska – 25% higher than the national average of \$1,782. In 2007 the average hospital cost per stay in Alaska was \$27,171 compared to the national average of \$14,455.
- One more example of higher prices comes from the Workers' Compensation program. Alaska has ranked 1<sup>st</sup> in the nation for cost of workers' compensation premium rates since 2005. Medical costs made up 72% of total benefit claims in Alaska in 2008, compared to the national average of 58%. The average medical cost per workers' compensation claim in Alaska was \$40,000 per injury in 2008 compared to the national average of \$26,000. Alaska's Workers' Comp medical fee schedule rates were the highest in the nation in 2006 – on average 3.5 times higher than Massachusetts, the state with the lowest rates. In 2006 Alaska's Workers' Comp program paid \$2,339 for a spinal canal cervical MRI (72141) compared to Washington's fee of \$769 and Hawaii's \$634 for the same service. Alaska paid \$4,181 for arthroscopic knee surgery (29881) compared to Washington's fee of \$869 and Hawaii's \$693.

A systematic comparison and analysis of pricing and reimbursement for health care services in Alaska has never been conducted. The Alaska Health Care Commission is looking to develop an accurate and thorough understanding of payment methodologies in Alaska compared with other states in the region to assist with guiding development of future recommendations to improve affordability of and access to health care in our state.

## SECTION FIVE SCOPE OF WORK

### 5.01 Scope of Work

The Department of Health and Social Services, Alaska Health Care Commission, is soliciting proposals for a health care actuarial consulting firm to compare health care provider third party and private-pay charges (billed and allowed) in Alaska to billed and allowed charges for the same services in Washington State, Oregon, Idaho, North Dakota and Wyoming. The consultant shall also benchmark those billed and allowed charges against public coverage such as Medicare, Medicaid, Workers Compensation, TRICARE, and the Veteran's Administration.

Specific comparisons should include:

- Comparisons of billed and allowed non-facility provider charges, on a per unit basis, for the top 25 most commonly used codes;
- Comparisons of billed and allowed non-facility provider charges, on a per unit basis, for the top 25 most commonly used codes by specific major specialties, including but not limited to family practice, pediatrics, internal medicine, ob/gyn, orthopedics, urology, gastroenterology, cardiology, neurology, general surgery, cardiothoracic surgery, interventional cardiology, ENT, ophthalmology, diagnostic imaging, and chiropractic.
- Comparisons of facility-based provider charges (hospital outpatient and inpatient).

Study results should include the range for each grouping of codes by specialty, as well as the mean and the 50<sup>th</sup> and 80<sup>th</sup> percentile.

The consultant shall also identify the major drivers of the differences in health care costs between Alaska and the other states.

The consultant shall also analyze variations in the cost of providing primary care (including compensation, materials and overhead) to Medicare recipients in Alaska compared to other regions of the study, and describe the major factors driving differences resulting in under-reimbursement of Alaskan physicians by the Medicare program.



## 5.02 Deliverables

The consultant shall provide the deliverables described below within the specified performance period (specific delivery dates are somewhat flexible, and may be negotiated during final contract negotiations).

<u>Deliverable</u>	<u>Delivery Date</u>
1. Post-Award Project Implementation Meeting	within 2 weeks of contract award
2. Final Work Plan	within 3 weeks of contract award
3. Brief, Written Progress Reports	Monthly
4. Presentations to Health Care Commission	June, August, October, December
a. Three presentations will be telephonic	
b. One presentation will require travel to Anchorage, Alaska	
5. Draft Analysis Report	
a. Non-Facility Provider Analysis Draft	August 1, 2011
b. Facility-based Provider Analysis Draft	August 1, 2011
c. Health Care Cost Driver Analysis Draft	September 15, 2011
d. Medicare Cost Analysis Draft	September 15, 2011
6. Final Analysis Report	
a. Non-Facility Provider Analysis Report	September 30, 2011
b. Facility-based provider Analysis Report	September 30, 2011
c. Health Care Cost Driver Analysis Report	October 15, 2011
d. Medicare Cost Analysis Report	October 15, 2011





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### III. Methodology Used for the Project

This project involves multiple aspects, each of which requires different data sources. As a result, the methodology used will also vary across project components.

#### Non-Facility Provider Charges

Milliman will perform a comparison of relative billed and allowed charges for non-facility providers in Alaska against those in Comparison States. In accordance with the RFP, the analysis will be performed separately for each of the top 25 most commonly used codes.

The list of the top 25 codes will be developed by Milliman based upon data from the 2009 Thomson MarketScan database (MarketScan). The list of the top 25 codes will be based on the aggregate frequency of codes across Alaska and the Comparison States. For each code, we propose to provide the following:

- The mean, median and 80<sup>th</sup> percentile of commercial allowed charges in each state based upon data from MarketScan. If credible data cannot be identified for certain codes and state combinations, then the data may be supplemented by the Ingenix MDR database.
- Medicare allowed charges. In states where Medicare allowed charges vary by geographic area within the state, we will provide the Medicare allowed charges for each area.
- TRICARE allowed charges. In states where TRICARE allowed charges vary by geographic area within the state, we will provide the TRICARE allowed charges for each area.
- Medicaid allowed charges. The level of detail provided in each state will depend on the degree to which Medicaid payments vary by geography or other factors within each state.
- Workers Compensation allowed charges. The level of detail provided in each state will depend on the degree to which Medicaid payments vary by geography or other factors within each state.
- VA Allowed Charges paid to external (non-VA) providers. In states where VA allowed charges vary by geographic area within the state, we will provide the VA allowed charges for each area.
- The mean, median and 80<sup>th</sup> percentile of billed charges. Billed charge analyses will be conducted using the Medicare Standard Analytic Files 5% Sample ("5% Sample"). Since billed charges do not vary by payer, this analysis should be sufficient

In addition to providing the analysis for the top 25 codes overall, we will also provide similar exhibits for the top 25 codes for each of a number of specialties. The list of specialties will include at least the following (as data permits): family practice, pediatrics, internal medicine, OB/GYN, orthopedics, urology, gastroenterology, cardiology, neurology, general surgery, cardiothoracic surgery, interventional cardiology, ENT, ophthalmology, diagnostic imaging, and chiropractic. For some specialties, such as chiropractic, there may be fewer than 25 codes with reasonable volume and therefore, some of the analyses by specialty may include fewer than 25 codes.

Provider specialties are often sparsely coded or inconsistent within many databases. Therefore, determination of the top 25 CPT codes by specialty will use the MarketScan and 5% Sample databases, along with other proprietary Milliman databases and actuarial judgment as necessary.

Estimated billed and allowed charges by specialty will use data from all specialties for each CPT code. For example, CPT 98940 (chiropractic manipulation) will undoubtedly be one of the top 25 codes for chiropractors. However, in developing the allowed and billed charge metrics for this CPT code, we will use data for this code from all specialties (though we would expect the vast majority of the volume to be from chiropractors). Most payers do not vary their reimbursement by specialty and therefore, the inclusion of all specialties in the analysis of each CPT code should not meaningfully affect the allowed charge results.

### **Facility Charges**

In order to analyze facility billed and allowed charges, we propose primarily using Milliman's proprietary Hospital Evaluation and Comparison System™ (HECS™) along with data from MarketScan, the Medicare Provider Analysis and Review (MedPAR) file for inpatient services and the Medicare 5% Sample for outpatient services.

HECS™ assigns Relative Value Units (RVUs) to hospital inpatient and outpatient workload. The total allowed or billed charges can then be divided by the total Relative Value Units to develop a conversion factor. We propose calculating billed charge, commercial allowed charge and Medicare allowed charge conversion factors for each state. More detailed geographical results can also be provided if desired.

The TRICARE fee schedule for facility services is relatively similar to that for Medicare. Therefore, we will infer differences in TRICARE reimbursement across states based upon the analysis performed for Medicare.

Since detailed data files are not available for Medicaid, Worker's Compensation or VA, we do not intend to use HECS™ for those schedules but rather, will supplement the primary analysis performed through HECS™ with qualitative observations comparing those fee schedules against comparable schedules in Alaska.

### **Provider Cost and Other Drivers of Cost Differences Between States**

Although these analyses are listed as separate items in the RFP, we have included them together here. We expect that provider costs will form a significant component in the explanation of relative costs and therefore, propose combining these two analyses.

This portion of the project will consist of a number of separate analyses, each intended to illuminate differences in health care practice patterns and reimbursement in Alaska relative to the Comparison States. The analyses will be combined into a single report with conclusions presented as appropriate.



We note that the RFP requests that consultants “describe the major factors driving differences resulting in under-reimbursement of Alaskan physicians by the Medicare program”. Milliman consultants pride ourselves on our independence and objectivity. As such, we do not guarantee that the results of our analysis will conclude that Alaska physicians are under-reimbursed by Medicare, nor will we bias the analysis to support this conclusion. By maintaining our objectivity, it will be easier to gain broader acceptance of our report should we reach your desired conclusions.

Specific steps in this phase of the analysis will be as follows:

- Analysis of Commercial premiums in Alaska against Comparison States. As a first step in this phase of the analysis, we will compare commercial premiums in Alaska against the Comparison States to fully understand the differences. We propose using results from the Milliman Group Health Insurance survey.
- Analysis of operating costs for Alaska facilities against Comparison States. This analysis will combine Medicare charge data with cost-to-charge ratio from Medicare cost reports and HECS™ in order to estimate the relative operating costs for hospitals within each state.
- Analysis of hospital margins in Alaska against Comparison States. Using data from the Medicare cost reports, we will analyze hospital operating margins across Alaska and the Comparison States. Margins will be calculated both in aggregate and for Medicare. This analysis, combined with the hospital relative cost analysis will help to explain difference in hospital reimbursement in Alaska relative to the Comparison States.
- Analysis of inpatient length-of-stay in Alaska against Comparison States. This analysis will compare the case mix adjusted average length of stay for Alaska hospitals against Comparison States. The analysis will use MedPAR data. Differences in inpatient length of stay may explain a portion of the differences in health care costs.
- Analysis of compensation for health care professionals in Alaska against select Comparison States. This analysis will summarize results from two Milliman compensation surveys: The Alaska Cross-Industry Survey and the Northwest Health Care Industry Salary Survey (which includes data for Washington, Oregon and Idaho). Comparable information is not available for Wyoming or North Dakota and therefore, those two states will be excluded from this analysis.
- Analysis of Commercial discounts in Alaska against Comparison States. This analysis will compare commercial discounts in Alaska against the Comparison States. While discounts without billed charge information cannot be used to compare reimbursement, discount levels may be indicative of the degree to which commercial payers can control provider reimbursement.
- Additional analyses will be added depending on the results of the initial analyses above. Examples included the distribution of insurance coverage and the percentage of uninsured by state, demographic distributions and hospital occupancy rates. The exact analyses will depend on the results of the initial analyses presented above as well as the availability of data.

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We note that the RFP asks for “variations in the cost of providing primary care (including compensation, materials and overhead) to Medicare recipients in Alaska”. We are unaware of a data source that can provide this information and therefore, cannot respond to that request directly. However, we feel that the analyses proposed above will allow you to identify the key drivers in cost differences between Alaska and the Comparison States.